

Monthly Equities Market Report: February 2024

Global Market Overview: Global Equities Extend Winning Streak in February

In February 2024, the global equities market maintained its upward trend, extending its positive performance for the fourth (4th) month in a row. Consequently, the MSCI world Index surged by 4.11% month-on-month (MoM). This positive momentum extended to most of the major global Indices under our coverage, save for the UK's FTSE 100 which declined by 0.01% MoM.

In February 2023, the US stock market extended its upward climb, with both the S&P 500 and NASDAQ Composite notching record highs as they rose by 5.17% MoM and 6.12% MoM, respectively. This increase was fueled by strong financial results from key companies, including five of the top US stocks known as the "Magnificent Seven". Additionally, economic indicators remained robust, with the US composite Purchasing Managers' Index (PMI) settling at 51.4 points, indicating ongoing expansion in business activity, albeit at a slower pace compared to January 2024. The Monthly Jobs report also showed a gain of 353,000 new jobs in January 2024, boosting confidence in a soft economic landing.

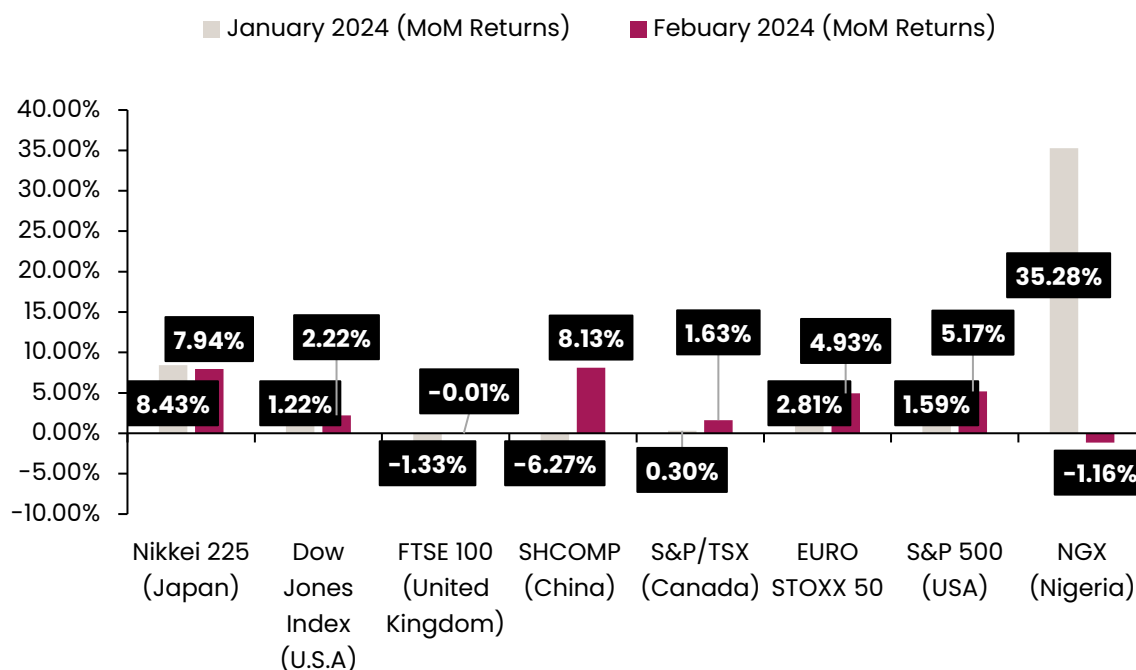
Europe's Stoxx 50 index performed strongly during the period, posting a significant gain of 4.93% MoM. This positive trend was supported by better-than-expected GDP growth data at 0.1% QoQ in Q4:2023 and 0.5% QoQ in 2023FY (compared to -0.1% QoQ in Q3: 2023 and 0.5% QoQ in 2022FY). Additionally, the Eurozone composite PMI data for February showed improvement, rising to 48.9 points from 47.9 points, indicating a potential turnaround in the Eurozone growth trajectory, albeit below the 50 points expansion threshold. These factors combined to enhance market sentiment.

The UK's FTSE 100 persisted in the bearish trajectory as it declined by 0.01% MoM. This negative sentiment was driven by disappointing earnings release from UK companies, compelling analysts to downgrade estimates for 2024 profit growth. Furthermore, weak GDP

data (-0.3% QoQ in Q4:2023) suggesting the UK might be falling into a technical recession also dampened market sentiment.

During the period, the Chinese SHCOMP index experienced a strong recovery, increasing by 8.13% MoM. This resurgence was driven by heightened market activity during the Lunar New Year holiday and various Intervention measures announced by the Chinese government. These interventions included reducing the 5-year loan prime rate, implementing restrictions on short selling and stock purchases by state-owned entities, among others.

Figure 1: Month-on-Month Returns of Major Indices for January 2024 and February 2024



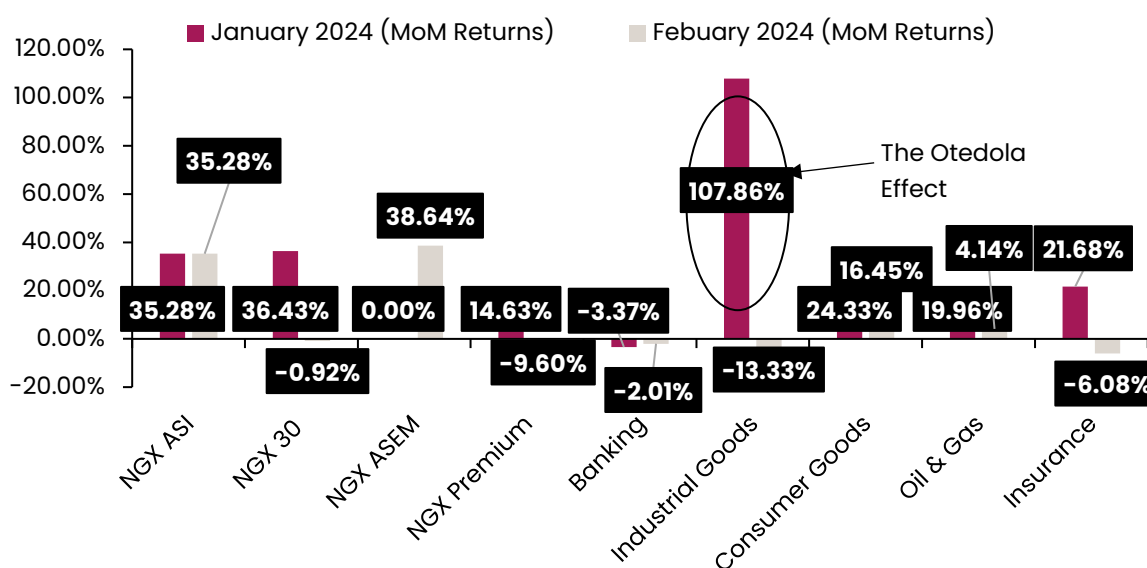
Source: Bloomberg, NGX, ARM Research

Domestic Market: Equities Market Hit by Rising Yields

Following a high fixed income yield environment in February 2024 (average fixed income yield: +524bps MoM to 17.06%), the Nigerian equities market slipped into the bearish terrain as the NGX All Share Index (ASI) shed 116bps MoM to 99,980.30 points (vs. 101,154.13 points in January 2024). Furthermore, we believe that weaker than expected 2023FY earnings results

of major tickers, owing to significant foreign exchange losses, contributed to the poor performance of the equities market during the month. Notably, the market lost in 11 out of 22 trading days of the month (vs. 4 out of 22 trading days in January 2024). We also observed declines across trade metrics during the month, as average total Volume and Value fell by 52.51% MoM and 42.17% MoM each to 412.64mn units and NGN8.47bn respectively (vs. 868.91mn units and NGN14.64bn in January 2024). Overall, the market posted a year-to-date (YtD) return of 33.71% (vs. 35.28% YtD in January 2024).

Figure 2: Sectoral Performance Analysis for January 2024 and February 2024 (MoM).



Source: NGX, ARM Research

Sectoral Performance: Mixed performance to a Bearish End

The Nigerian equities market bucked its four (4) months winning streak in February 2024. We observed mixed performance across sectors under our coverage, with only the Consumer Goods (+16.45% MoM) and Oil and Gas (+4.14% MoM) sectors closing bullish. Notably, the positive performance in the Consumer Goods sector came amid significant FX losses, elevated inflation and high interest rate. However, gains in BUA FOODS (+39.77% MoM), VITAFOAM (+10.73% MoM), AND CADBURY (+9.83% MoM), helped to cushion the sector against losses recorded in FLOURMILLS (-21.67% MoM), GUINNESS (-19.94% MoM), and UNILEVER (-18.50% MoM).

Furthermore, the bullish performance of the Oil and Gas sector was driven by gains in SEPLAT (+9.61% MoM) and MRS (+7.14% MoM), following impressive 2023FY earnings results.

In contrast, the Industrial goods sector led the negative charge over the same period retreating from its lead position in January. Gains in MEYER (+57.30% MoM), and TRIPPLEG (+20.76%) were offset by losses in index heavyweights like BUACEMENT (-18.92% MoM), CURTIX (-12.96% MoM), LAFARGE (-11.25% MoM), and DANGCEM (-10.00% MoM).

The Insurance Sector also retreated to negative territory driven by losses in LINKASSURE (-37.61% MoM), NEM (19.51% MoM) and AXAMANSARD (-14.68% MoM).

Similarly, the banking sector noted a decline over the same period, following losses in WEMABANK (-26.20% MoM), STERLINGNG (-19.75% MoM), JAIZBANK (-16.99% MoM) and ACCESSCORP (-15.64% MoM)

Overall, gains in BUAFOODS (+39.77% MoM), GEREGU (+90.23% MoM), AIRTELAFRI (+10.00% MoM) and SEPLAT (+9.61% MoM) were offset by losses in MTNN (-24.16% MoM), DANGCEM (-10.00% MoM), BUACEMENT (-18.92% MoM), and ACCESSCORP (-24.01% MoM).

March 2024 Outlook

Given the recent hike in Monetary Policy Rate (MPR) by 400bps to 22.75%, we anticipate a shift of investor interest from the equities market towards the fixed income market, driven by the pursuit of higher yields as a hedge against inflation. Nevertheless, this may present favorable opportunities for investors to enter the market at lower prices, particularly in high dividend-paying stocks, as the earnings results for 2023FY are released. We therefore recommend that investors look towards tickers with strong fundamentals, particularly in sectors such as **Banking, Industrial Goods and Oil and Gas**.